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The Province of Alberta

IN THE MATTER OF THE PUBLIC INQUIRIES ACT

AND IN THE MATTER OF O/C 290/73, AN INQUIRY INTO THE NEW TOWN OF GRANDE CACHE

N. R. CRUMP, Esq.,	Chief Commissioner
T. H. PATCHING, Esq.,	Commissioner
DAVID GRAHAM, Esq.,	Commissioner

W. A. Stevenson, Esq.,	Commission Counsel
D. O. Sabey, Esq., Q.C., and J. G. Martland, Esq.,	For McIntyre Porcupine Mines Ltd.
Lorne Ingle, Esq.,	For United Steelworkers of America.

DATE: October 1, 1973

HELD AT: Edmonton, Alberta.

VOLUME XV

(Pages 1450 - 1504)

Supreme Court Reporters
EDMONTON, ALBERTA

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I N D E X

VOLUME XV

OCTOBER 1, 1973

WITNESSES:

SENATOR ERNEST C. MANNING

Examination by Mr. Stevenson 1450
Examination by Mr. Graham 1467
Examination by Mr. Crump 1468

ANDERS OLAB AALBORG

Examination by Mr. Stevenson 1471
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R. PATRICK

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PROCEEDINGS before The Board of Commissioners at the Law Courts, in the City of Edmonton, Province of Alberta, commencing at 9:30 a.m., Monday, October 1st, A. D., 1973.

MR. CRUMP: Mr. Stevenson, would you call your first witness, please?

MR. STEVENSON: Senator Manning.

SENATOR ERNEST C. MANNING, sworn, examined by Mr. Stevenson:

Q I wonder, sir, if we could ask you to stand because the acoustics of this court room are designed for that purpose. We have had some difficulty.

A Very good.

Q Gentlemen, I have advised Senator Manning of the statement when Mr. McKinnon gave evidence last week with respect to the Commission's policy in questioning former members of the Executive Council.

Senator, you are presently a Director of McIntyre Porcupine Mines Limited, is that correct?

A That is right.

Q And when did you become a Director?

A In May of 1969.

Q And when had you retired from the Government of Alberta?

A I retired from the Premiership in November of 1968 and resigned from the Legislature in December of 1968.

Q And when was the first intimation given to you that the company was interested in your becoming a Director?

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A I don't recall the exact date, it was in the spring of 1969. It would be a matter within a very short time of when my actual appointment took place.

Q Had there ever been any discussions or suggestion of your taking such a position while you were with the Government?

A No, definitely not.

Q You indicated to me, Senator, that you were interested in explaining your reasons for accepting a directorship in the company, would you like to tell the Commission that?

A Well, for a long time in this western part of Canada there has been a feeling that many companies that are engaged in the development of resources or commercial or industrial enterprises here, that have their headquarters in Eastern Canada, have not been adequately represented by people from Western Canada. I felt that McIntyre Porcupine was a case in point. The company was engaged in developing resources in Alberta, I appreciated the invitation to become a director of the company for it did afford me an opportunity to act as a western director in line with this thinking which was very widely held, I think, in the west for a long time.

Q And have you attended the Directors' Meetings on a regular basis?

A I have not been able to attend all of them but I attend the majority of the meetings.

Q I gather that you did not attend a Directors' Meeting that was held on January 25th or thereabouts, of this year when the Board decided to close the No. 5 mine?

A No, at that particular time I was down in the United States and not able to attend.

Q What knowledge do you have of the decision to close the No. 5 mine?

A I returned to Alberta very shortly after the occasion of that meeting and the decision had been announced, of course, it was in the media and I was also in touch or received from the company a statement which was issued following that meeting with respect to the decision.

Q And what did you understand to be the reason behind that decision?

A Well, actually the decision was in no sense surprising to me because for a long time McIntyre Porcupine had been losing very large sums of money in the operation and it was obvious that the circumstances had to be altered, that the company could not continue to sustain the losses it was sustaining.

The No. 5 mine had not been able to get up to target in its production or even near target and it was one of the more costly phases of the operation so, it had been the knowledge of the company for some considerable time that every possible effort had to be made to improve the economics and to continue an operation which was proving very costly and was not producing the coal that was expected. It was a logical thing to take steps to curtail that expenditure.

Q There was an attempt to improve the cash-flow situation at that time?

A Yes, the cash-flow situation was the big concern.

Q Now, I take it you weren't a member of the Executive Committee of the Corporation at that time?

A No, I have not been a member of the Executive Committee.

Q Now, let's go back Senator Manning to the time that you were Premier of the province, as a convenient date for our terms of reference, the Alberta Resources Railway was announced in February of 1965?

A Yes, the Session of that winter.

Q Now, prior to the announcement of the Alberta Resources Railway which I take it committed the Government at that point or made some commitment from the Government at that point, had you knowledge of the long-term intentions or the intentions of McIntyre Porcupine with respect to the development of the coal fields at Smoky River?

A We knew that McIntyre was engaged in discussions with the Japanese exploring the market potential there, the possibility of obtaining markets there. We had knowledge of those leases which had priorly been held by Columbia and they had been out of the picture, I think, for about a year and we knew McIntyre was engaged in seeing what the feasibility was of developing the coal.

Q And this knowledge preceded the decision to proceed with the Alberta Resources Railway?

A Oh, yes, at the time the decision on the railway was made we were quite knowledgeable of the negotiations for the mine.

Q And had you yourself had direct communication with employees or officers of McIntyre Porcupine prior to this time?

A That is prior to the railway?

Q Yes, prior to the railway?

A Frankly, I can't remember the actual context, I had met Mr. Godin on probably an occasion or two when he was in the West, but the Government's contacts with McIntyre Porcupine were primarily through our Department of Trade and Industry, not directly with myself.

Q Can you recall whether you had met Mr. Godin before or after the announcement of the railway?

A I couldn't say for certain but I believe it would be before because Mr. Godin was out in the West occasionally, I think it is quite probably I met him prior to that time.

Q Now, the decision to build the railway would you be prepared to describe to us how that or the extent to which it was predicated on the coal development?

A Well, perhaps to answer that I should give you a comment on the number of factors that entered into the Government's consideration that led to the decision to build the railway.

In our long-term planning for the economic growth of the province we recognized that on the west side of the province north of the Canadian National Railway, running north up to the Grande Prairie region and in from the British Columbia boundary there was a large area that had considerable resource development potential but which had no access to market for any production that might take place. The potential production that we were aware of was not only the coal but, lumber, pulp, there was a possibility of gypsum being

A (continued) developed in commercial quantities and in addition to that, another factor which was equally as important to the Government was the steady trend to greater development of the northern regions of the province, the Peace River region and on north and we felt there would be a definite benefit, in fact we felt it would probably be a necessity somewhere down the road to have a more direct access to seaboard from that whole northern region of the province. So, we had a combination of these factors, a large area that had no outlet to market, that had considerable protential in mineral development and timber development plus the concern of the northern area of the province which did not have direct outlet to the Pacific Seaboard as we felt it should have.

Now, it was a combination of all these things that led to the Government's decision to build the railway. The fact that the railway plan envisaged a railway built from the Canadian National to Grande Prairie I think, in itself, indicates our concern went considerably beyond an outlet to market for McIntyre Porcupine coal from Grande Cache. Had that been the only consideration of course, the Grande Prairie aspect would not have been in the picture and I don't think we would have been involved in the railway, but the combination of these things in the Government's opinion justified us taking some action. I think I would be correct in saying and, I am endeavouring to give the impressions of the Government a number of years ago, the possibility of an early opening of the mine at Grande Cache had a definite bearing on the time factor when the

A (continued) railway was built. Had the coal development not materialized or at least had the plans to develop it not been in the picture, it is very doubtful if we would have moved on railway at that particular time, but the combination of the factors I mentioned plus the possibility of getting the coal developed which brought a new time element into the considerations, that was a big factor in the decision to move at that particular time.

Perhaps it would not be irrelevant if I mentioned another point that entered into the Government's consideration; we were naturally concerned with the economics of a move of this kind because it involved a considerable amount of money. Unfortunately it involved a lot more than we thought it was going to when the project was started, but I have noticed in the intervening years that there has been quite a few references to the Resources Railway that all seemed to be based on the assumption that the decision whether or not to build the railway hinged primarily upon, number one, the providing a railway for McIntyre Porcupine's coal which I indicated was only one of our concerns, and, number two, the Government was satisfied that this line would be economically viable and the money would be recovered.

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A (Continued) Now certainly the projections at that time indicated a very reasonable hope of recapturing at least the principal of the investment. But one of the points in the Government's consideration was that, even if we didn't recover the capital, or only recovered a part of the capital, we still felt a responsibility in providing a means of transportation for that resource region and for the Peace River area, and I think I would not be inaccurate to compare this in a sense to the many decisions Governments have to make in the construction of highways, the majority of which never return to the tax payer the capital expended. But they are done because it's necessary to have these transportation routes linking up communities where the volume of traffic is probably not enough to ever generate enough gasoline tax to pay the maintenance let alone the capital. If I might use a concrete example in that area because this involves another level of Government. The National Government of Canada built the highway from Lake Louise up to Jasper at a cost of some $55,000,000.00 without any hope of recovering a single dollar of the capital, because even the gasoline tax on that road accrues to the Treasurer of Alberta not to the Federal Government. But I don't think anyone would argue that that was not a proper decision, even though the possibility of recovering the capital was not there. Now, I mention this because I want it to be on record that, as far as the Government was concerned, while we had every hope and

A (Continued) anticipation, that in the long run at least the initial capital could be recovered, we recognize that this might not be the case, but we still felt that, having regard to the responsibility to provide access to the Coast from the Peace River and the development of that area, that we were justified in the public expenditure whether the capital was recovered in whole or not.

Q Now, Senator Manning, in connection with the knowledge that the Government had as to McIntyre Porcupine's plans, was there anything, so far as you were aware, in the nature of a commitment from that Company to the Government with respect to --

A I can't recall anything that could be referred to as a firm commitment from the Company. The Company kept us informed of their discussions with the Japanese, I don't know in what detail, how much, how complete the information was, but we were aware of the tonnage ranges, for example, that we thought the market might provide.

Q What sort of tonnage range was it, Senator Manning, do you recall?

A Well, it ran anywhere from one, two million a year. I think the final figure was 30 million on the one 15 year contract that finally came out of it, with a possibility of substantially larger tonnages in the future. In other words, it was recognized that you would start off with a tonnage that would be substantial but that the potential was there for

A (Continued) much larger volumes in the future.

Q Prior to the announcement of the railway, was the information that you had that you were looking at a long-term proposition in the development of the coal industry there?

A Yes.

Q Now, there was, of course, an agreement reached with the Canadian National after the Capital Resources Railway announced that a corporation was set up. There was an agreement reached --

A That's right.

Q Now, you took part in the negotiation of that agreement?

A That's right.

Q The rental rate or the payment for coal was set at $1.40 a ton, I believe, according to the agreement. Was there any discussion of that rental rate or that kind of return between the Government and McIntyre Porcupine as far as you were aware?

A There wasn't with myself. Now whether there was with officials of the Industry Department, I have no knowledge.

Q The negotiations with the Canadian National were primarily through Mr. Graham, is that correct?

A The first approach to the Government on this matter was from the Canadian National through Mr. Graham. Now, whether Mr. Graham was acting directly for the Company or whether as the Regional Superintendent here, this was just part of his regular interest. But, as I recall, Mr. Graham was the first

A (Continued) person to raise with the Province the indication of the Canadian National's interest in this thing and it was something which we paid, took notice of because of what I have said earlier, of our concern in the development of that northern area and western area of the Province. When we were aware that the Canadian National was interested, I had a conversation with Mr. Graham, one or two conversations, and Mr. Graham arranged for me to meet Mr. Donald Gordon, who was then the President of Canadian National.

Q The rate of $1.40 was adjusted or the Government gave a waiver reducing that rate to 50 cents per ton. Did you take any part in getting information from McIntyre Porcupine with respect to that reduction?

A No, I didn't deal personally with the reduction. I was aware of it and advised of it and counselled that it happened, but I was not involved in the discussions.

Q What information did the Government have as far as you were aware to justify that reduction?

A The Company was engaged in these prolonged discussions with the Japanese and our information was that they simply could not conclude an agreement with the $1.40 rate for transportation. The fact of it they had to get their total cost to the Japanese down and this was one of the areas where a reduction was made.

Q I take it that that wasn't looked upon by the Government as being a subsidy to the buyers or to the Company?

A No, it was, well it was a matter, as we understood it, that either these costs were, to the Japanese were gotten down to a level that they would be prepared to meet or the development wouldn't go ahead or, at least, wouldn't go ahead at that time.

Q Now, in respect of the planning for the new town, Senator Manning, I take it that the problems at an early point was, concerned to see or was interested in seeing that the town site developed for the mine come within the new town legislation and new town planning, is that correct?

A That is right.

Q Now, to what extent was the planning for the town or the decision to go ahead with the town predicated on the long-term prospects for coal development?

A Well, I think it would be correct to say that there were two interrelated factors in answer to that question. In the first place, once the arrangements had been concluded by McIntyre to go ahead with the development, obviously there had to be some kind of a town. There were going to be several hundred people engaged as miners and their families to take care of and all the other auxiliary services, so the town became an assured development and a necessity, in any event. The Government was concerned, and I think the Company's view was along the same line, because their subsequent actions bear this out, from the Government's

A (Continued) standpoint we didn't want to see the town become another, what's commonly referred to as a company town. There had been some rather unhappy experiences in the earlier years with that type of development, so the Government did stress its concern and would have required, or did require, that the town be developed along the lines that would be of a high standard and provide the amenities and the other things required for a proper community.

While the actual steps to initiate the development of the town arose from the fact that there was no way of avoiding it, with the coal development going ahead, we did feel, and I'm sure the company felt, that the long-range potential of the coal justified the town and justified a good town, and I come back to what I said about the Government's feeling with respect to the possibility of recovering the capital of the railway, that did anticipate a long-term development and an enlarging development, greater volumes in the future than in the past, so that it was based on those two things: the need to meet immediate necessity, and the anticipation of a long-term accruing development.

Q As far as the town was concerned, was the planning of it proceeded with, as far as you know, in the sense of expending money, until the company had advised that the Japanese contract would go ahead?

A I couldn't say this timewise for a certainty, but my

A (Continued) recollection would be that very little expenditure was made on the town prior to the knowledge that the contract was reached with the Japanese on the sale of the coal. Now, there may have been some preliminary work done but certainly nothing of any significance.

Q Would the planning for the town, the expenditure of funds for the town, have gone ahead without the assurance of a contract?

A Oh no, or at least I certainly would assume that they would not.

Q Now, was there any planning on the part of the Government, or any commitment to the community on the part of the Government, that some other industry or some other resource would support that community?

A No, not to my knowledge. Perhaps, I should refer to the procedure that's followed by the Government with respect to new towns. The new town legislation had been on the statute books for some time prior to this and a number of new towns had been established under the Act, so this wasn't a new procedure. Once a town was going to be established, as far as the Government's involvement, this was turned over to the Division of the Department of Municipal Affairs, responsible for administering the Act, and all the details and all the discussions with the Company that were necessary took place at that level.

Now, to my knowledge, there was

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A (Continued) nothing else in the picture at that time by way of further industrial development. It certainly was the anticipation that if the coal operation went ahead on the scale that was envisaged, there would be a fairly substantial service industry in connection with it, I mean all the services that were necessary in a community of that size. Right from the inception of the town out in that area, there was certainly a lot of local optimism and I think this optimism went beyond the local community, that the area lent itself, for example, to tourist attractions and things of this kind, but these were generalities, they were not specifics. There were certainly no other industries in the picture that we knew of at that time.

Q Was there any commitment, as far as you were aware, or a representation by the Government, that the area would be served with a through highway through to Grande Prairie?

A Well, a highway from Grande Prairie down paralleling the line roughly was certainly discussed. In fact, there has been pressures from Grande Prairie for a highway south long before this came into the picture. This wasn't a new subject at all. There were no firm commitments, to my knowledge, that a road would be built or as to when it would be built. The Government's long-range view was that a highway would be necessary there at some time, but timewise no commitments, to my knowledge.

Q Do you recall any assurance or commitment that it would pass through the Town of Grande Cache from that town --

A No, I have no knowledge of anything like that.

Q Now, when the town was being established and projections for its population were being made, was the Government, to your knowledge, in contact with McIntyre Porcupine in order to get assessments of its work force and population requirements?

A My assumption is that in the Town Planning Department of Municipal Affairs, that undoubtedly those aspects would be discussed with officials of McIntyre Porcupine, because that would naturally be the source from which they would get their information as to what increased employment the company would be anticipating there, which was really the deciding factor in the growth.

Q Did the Government look upon the development of the town as involving any risk from the point of view of the Government, any financial risk from the point of view of the Government?

A Well, under the New Towns Act, there is always risk involved. If you had a situation where there was no economic risk, I doubt if there would have been a New Towns Act at all. The New Towns Act provided a legislation under which the Government could provide financing for starting up these towns which were required for one reason or another, to carry them through the initial stages hopefully to the place where they would be able to elect their own councils and collect

A (Continued) their own taxes and so on. There was always a risk involved in new towns and Grande Cache was certainly no exception.

Q Was there any assurance or representation given by the Government, as far as you are aware, that the Government would continue to provide financial support for the community in the event it didn't become viable?

A Not any that I'm aware of, and I would doubt that such an assurance would be given. The practice under the New Towns Act was not to set a time target or a time date at which the town would have to elect its own council and come out from under the New Towns Act, and the time when that took place in the various towns set up under the Act, varied considerably. In some cases it might be relatively short; in other cases it might be longer. The general guide line was there was no point in taking a town out from under the New Towns Act until it had a sufficient tax base to enable it to carry on as a town in a local community.

Q But beyond that there was no commitments --

A Not to my knowledge there was no commitments, no.

MR. STEVENSON: Those are all the questions that I have.

MR. CRUMP: Mr. Sabey, have you any questions?

MR. SABEY: No thank you, Mr. Chairman, I have none.

MR. CUMP: Mr. Patching?

MR. PATCHING: No.

MR. CRUMP: Mr. Graham?

MR. GRAHAM EXAMINES THE WITNESS:

Q There is only the one question, Senator, and that is in discussing the Alberta Resources Railway, was there any thought at all given to having to perhaps the CNR go in and build the railroad and make the capital investment perhaps on an operating subsidy basis?

A No, my understanding of the legislation under which the CN operates is that before they can go to parliament to get capital to build a line they have to have adequate firm commitments to indicate the revenue to be generated, to pretty well take care of the situation. I know Mr. Gordon pointed out to me in this case there was just no possibility of them going to parliament and getting money for a line of this kind. Now whether the CN and McIntyre could have worked out something with some Government subsidies or guarantees, I don't know, because we chose this other route. Again, because of our concern it went far beyond just a line to Grande Cache for McIntyre Porcupine. The Government took the position that this was the best way of doing it because if the, if the optimistic projections proved a factor then the Government would end up being out of the business altogether, and we didn't want to be in the railway business. The CN would be taking the

A (continued) thing over and we would get the capital back. If it didn't work out that way we felt even then that circumstances would be preferable to some complicated subsidy system or something of this kind.

MR. CRUMP EXAMINES THE WITNESS:

Q Senator, I think you are so familiar with Alberta I won't need to give you a map, in looking at the territory we are talking about, north of the Canadian National mainline and south of Grande Prairie, and west of Highway 43, in fact west right into the Rockies, reminds me somewhat of what they call the empty quarter in the Middle East because there is really nothing in there prior to the building of the railroads. However, in your comment you stated that it was desired to give the Peace River section of the Province access to the rail line. Could this not more properly be said direct access because the Peace River already had access involving a longer haul of coming back to Edmonton and then west?

A Yes.

Q So that perhaps more properly it could be described as a direct access to principal rail facilities and, of course, the West Coast?

A That is definitely the case. As far as that northern region is concerned it was entirely a matter of more direct access. As far as the resources development in the region that would have been a direct access because there was no rail line in there at all.

Q And you mentioned the building of the highway from Lake

Q (Continued) Louise to Jasper, there is a highway of sorts from roughly Hinton to Grande Cache now and then a forestry road, Muskeg River north to Grande Prairie or connecting to Grande Prairie. There, I realize there was no definite studies, economic studies particularly of development of tourism in that area, but we have heard a great deal of tourism and as I understand you the Government had in mind that somewhere down the line that territory could become valuable as a tourist asset to the province?

A That is correct, we felt at that time and personally I still feel that time is all on the side of that region with the growing population, the congested conditions and the developed tourist areas of the province, the tendancy is certainly to push out into other attractive and more remote areas, and in my judgment Grande Cache region is a beautiful attractive place indeed, even more so, and I can't imagine looking down the road 25 or 30 years well all areas of that kind it seems to me will be in great demand as tourist recreational places.

Q I must say I agree with you, Senator, because Banff and Jasper are becoming very crowded and this is a spectacularly beautiful section of the country. While I realize that some people want it left in its virgin state I doubt very much whether that can happen.

Only one other question that I had in mind here that has been bothering me somewhat, and perhaps you could straighten me out on it, and this is the building of the railroad. We have in evidence that the original cost

Q (Continued) of the railway was given as 33 million dollars. That is the railway in its entirety from roughly Hinton or west of Hinton to Grande Cache. And that that estimate was made before any survey had been made on the ground, and then early in 1965 the Canadian National revised that estimate upwards to 40 million dollars, but the part, perhaps you could help me on, is that a letter to Mr. Aalborg from the Canadian National in 1971 indicated that in 1966, as a matter of fact on July the 28th, 1966, the Canadian National had advised Mr. Aalborg that the original estimate was badly understated, and that the revised estimate for Phase 1 from Solomon to Smoky River was 41 million dollars, and for Phase 2 from Smoky River to Grande Prairie is 54 million dollars, and while I realize that you said time is a very important factor and must be considered here, I wondered why the Government proceeded with Phase 2 at that time. There would be no doubt that Phase 2 would be built at some period of time, but at that particular time the Smoky River coal deposits was the only real traffic in sight, other than perhaps a little grain from the Peace River country. Could you give me any help on why the entire railroad was built?

A Well, in the first place as I indicated our purpose in going into the railway at all did involve the total concept that I have outlined, so it would not have been achieved without going on to Grande Prairie. Now, as to why the second phase was not left to a later date, perhaps with a foresight much better than we realized at the time we felt that costs were going

A (Continued) to increase, not decrease, and in the light of what has taken place first I submit that the decision was sound because even though before the line was completed costs of money had gone up very substantial amount and caused a lot of concern. I think we were up around 8 per cent or something on the final amounts, but even that is considerably better than 9½ per cent or probably worse in the future. Primarily it was the concern we could not be able to build the line more economically at any other time, and if we are going to build it we got to complete it while the job was being done rather than split it in two parts.

Q I see, I think those are the only comments I had. Mr. Stevenson have you any further --

MR. STEVENSON: No, sir.

MR. CRUMP: -- examination?

MR. STEVENSON: No further questions.

MR. CRUMP: Thank you very much for coming, Senator. I think your comments have been very helpful.

A Thank you, sir.

ANDERS OLAB AALBORG, sworn, examined by Mr. Stevenson:

MR. CRUMP: Before you commence your examination, Mr. Aalborg, would you kindly speak up. We find the acoustics in this room rather difficult for us to get it back here behind this bench.

A Oh surely, Mr. Chairman. I didn't realize we wanted anything other than just identification.

MR. CRUMP: Thank you very much.

Q MR. STEVENSON: Mr. Aalborg, I understand that you retired as a member of the Executive Council of this province on the 10th of September, 1971?

A Yes, that is correct.

Q And at that time you held the office of provincial treasurer?

A Yes.

Q And you held the office of provincial treasurer since July of 1964?

A That's correct.

Q Prior to that you had been the Minister of Education?

A That is correct.

Q Now, prior to the founding of the Alberta Resources Railway Corporation had you in your capacity as provincial treasurer ever had any direct contact with officers or employees of McIntyre Porcupine Mines Limited?

A No, I had no contact, Mr. Stevenson.

Q Prior to the announcement of the Alberta Resources Railway did you have any knowledge of their proposed development for the Smoky River area?

A No, the only knowledge that I have of this development, let us say by the fall of 1964, was that I do recall on one occasion a discussion with Mr. Roger Graham, the Canadian National vice-president, and one or two other ministers. I think it was in connection with a meeting at Jasper where there was an informal discussion of the possibility of building this railway, and where, of course, the mention was made of the coal potential in the Grande Cache of the Smoky River.

Q But you didn't have any details of the proposal?

A No, none.

Q Now, you became the chairman of the Alberta Resources Railway Corporation?

A Yes.

Q And did you hold that office until your retirement from the Government?

A Yes, that is correct.

Q And I take it that the railway met, the Railway Board met at your call?

A This was the general arrangement, although, of course, we would have at the earlier stages, the work of the Board, we had meetings at regular intervals that were known to the members of the Board.

Q During construction period?

A Yes.

Q The Alberta Resources Railway let all the contracts of the construction?

A That's correct, yes.

Q Now, did the Alberta Resources Railway Corporation have a staff of its own?

A No, we didn't have any staff as a corporation with the exception of one of the officers of the Treasury Department who served as the secretary to the Board. Outside of that we didn't have any staff as a corporation.

Q And that was Mr. Currie?

A Yes.

Q And he was in the Provincial Treasury Department at the time?

A This is correct.

Q I take it that there was no expertise, technical expertise in rail operation available to the Government from Government sources?

A No, not at that time, Mr. Stevenson. Of course the corporation in reaching the agreement with Canadian National agreed that all of the expertise with regard to engineering and supervisory construction and the like of that would, of course, be carried out by the Canadian National.

Q Now, among the terms of the agreement between the Alberta Resources Railway and the Canadian National is the provision for the rental to be paid for commodities moving over the railway, is that correct?

A Yes.

Q And there was a figure of a dollar forty negotiated as the price for the movement, moving of coal, is that correct?

A Yes.

Q Now do you know how that figure was arrived at, Mr. Aalborg?

A Well, I believe that there is on the record and possibly the Commission may have taken steps to have it made a part of the record of this hearing, I am not sure, but there is on record a letter from Mr. Graham in which he sets out the basis on which the dollar forty rate was arrived at. As I recall the expectation was that Canadian National would be able to collect a rate of four dollars and forty-five cents a long ton in the movement of this coal. For certain volumes which they felt

A (Continued) were, of course, practical to anticipate at that time, and out of that rate they felt sure that they could pay a rate of a dollar and forty cents for the movement of the coal, which would be, of course, by far the main factor insofar as the revenue of the railway in the early stages was concerned.

Q The $1.40 figure was negotiated between the Canadian National Railway and the Resources Railway or was it the CNR's calculation of what would be a reasonable rate?

A It was the CNR's calculation and we had to, of course, rely on the estimates and the figures that they would arrive at as a result of their negotiations with McIntyre Porcupine.

Q Now, did you have any knowledge other than from Canadian National as to McIntyre Porcupine's negotiations with them on the rate?

A No, I didn't, no. No, I don't think the Corporation, the Board of the Corporation as a whole didn't have any knowledge from any other source.

Q Now, do you recall the situation in which the $1.40 was reduced the 50 cents?

A Yes, I recall it.

Q And could you tell us what negotiations or discussions there were that led to this reduction?

A Well, my recollection is that Mr. Graham called at my office, I think it was in the earlier part of 1966.

Q I show you, Mr. Aalborg, document number 7 in Exhibit 32?

A Oh, yes, yes, thank you. This was in late Feburary of 1966 and Mr. Graham called at my office and had a discussion with Mr. Patrick and myself, the Minister of Mines and Minerals, in which he advised us that the negotiations with the Japanese people had reached a stage where the $4.45 was no longer a very realistic figure and that the amount that could be collected under the agreements that were under negotiation at that time

A (continued) could not be expected to go any further than somewhat, I think, around the $3 mark and so we were assured by Mr. Graham that the best that they could do to ensure the completion of the contract with the Japanese was to provide for a rate of only 50 cents a ton rather than the $1.40.

Q Now, was there any indication to you at that time or to the Government at that time of what McIntyre Porcupine's rate of return was or how this would affect their profitability of their operation?

A Well there wasn't, Mr. Stevenson, as far as I was concerned. I had no such information.

Q Was the agreement itself ever formally amended while you were in office, Mr. Aalborg?

A No.

Q And the reduction of 50 cents, to what was that to apply, over what period of time?

A Well, our expectation was that this would in all probability have to apply to let us say the first original contract in the early stages of these coal sales to Japan, but it was our understanding that this was to be a rather tentative and temporary situation and that in the course of time and possibly not too long, that the situation would improve to the point where the $1.40 which was stated in the agreement could then be paid.

Q Would it be your view that the $1.40 to 50 cent reduction applied to no more than the first contract, the one that was then under negotiation?

A At this point my recollection now is not entirely clear on that point. The letter that you have showed me, Mr. Stevenson, which I recall, did mention certain annual amounts which were expected to be sold at that time. I couldn't say now that it was specifically limited to that but it certainly was to apply in the early stages and I don't think it was crystal clear as to the exact extent in time at which this was to be done.

Q Yes, your letter to Mr. Graham which is number 8 of Exhibit 32--

A Yes.

Q -- dated March 4th, 1966, reads:

> "With reference to your letter of March 2nd, 1966, I wish to confirm that during my telephone conversation with you on Monday last, I indicated the agreement with my colleagues in the Alberta Government to a rental payment of 50 cents per short ton on the coal traffic."

A Yes.

Q Now, was there at that time any discussion of a contract other than 15 year roughly 30 million ton under negotiation?

A Well, what we have -- what I have to try to recall is, you see, these discussions took place in 1966 when the negotiations were not advanced very, very far as it was in the preliminary stages of all these negotiations.

Q Mr. Graham's letter, number 7 of the exhibit:

> "The producers have however indicated an increased starting volume of 1.5 million tons with a possibility of 2 million tons volume annually."

A Yes.

Q Would that be what you were talking about with Mr. Graham?

A Yes, and after we had the discussion in my office we then suggested the normal sort of thing that we would like to have a letter in which he summarized the representations he had made to us and the letter that we are looking at is the one he wrote in response to that request.

Q Was it anticipated that there would be other contacts with the Japanese that there would be greater volumes?

A Oh, yes, of course, at that state in 1966 there was great optimism and great enthusiasm about the whole project and it was envisioned that within a few years that the volume of sales would be much larger. It was the general hope of everybody connected with the development.

Q Did the Alberta Resources Railway undertake any investigation on its own to determine whether or not this reduction was justified economically?

A No, we did not, Mr. Stevenson, we were satisfied on the basis of the representations made by Mr. Graham that at that particular point there seemed to be no other choice than to go along with that rate for the time being.

Q In order to ensure that the coal traffic moved?

A Yes.

Q And at that time there was no contract signed with the Japanese to your knowledge?

A I don't think so, not that I recall.

Q Did the company later have a discussion or, Canadian National Railway have a discussion with you about a rate for another

Q (continued) contract?

A Oh, yes, at a much later time there was a further discussion about the rate that would apply in a subsequent contract and this was a matter of, oh, I don't recall the exact period but it was some substantial period of time later on but it was again indicated that in a succeeding contract the $1.40 rate under the agreement could not be paid, the rental rate, and that it would have to be at a lesser rate and so there was a further concurrence with the rate, as I recall it, of 60 cents per ton.

Q And again on the basis that this amount was necessary in order to ensure the movement of the traffic?

A Yes.

Q Were you aware, Mr. Aalborg, of any commitment or assurance by the Province made to McIntyre Porcupine with respect to the development of the railroad before the railroad was announced in the Legislature?

A No, I was not aware of any commitments.

Q Are you aware of any commitment by the company or assurance by the company to the government prior to the announcement of the railway?

A No.

MR. STEVENSON: Those are all the questions I have this morning.

MR. CRUMP: Thank you. Mr. Sabey?

MR. SABEY EXAMINES THE WITNESS:

Q Mr. Aalborg, I have one or two minor questions, perhaps. I gather from what you say the $1.40 was based on a calculation presented to you by the CN?

A Yes, that is correct.

Q What was the basis for that calculation?

A Well, the basis was that they could collect $4.45 a ton from McIntyre Porcupine.

Q What relationship if any did that have to the capital costs invested by the Government in the railway?

A Well our expectation at the time and, our understanding, as a result of many discussions with Canadian National in drafting the agreement between the Corporation and the Canadian National, our full expectation and understanding was that this was a rate which would be sufficient to return the initial capital cost of the railway which we were advancing within a period of not more than 20 years. This was the expectation that everybody had all around at that time, very optimistic, to be sure but, that was the expectation.

Q Now, sir, did the Government, specifically the Corporation, play any role in the selection of the route for the railway?

A No, we didn't play any role that way at all except we agreed, of course, in the terms of the agreement that we made with the Canadian National that the location of the route would be determined by Canadian National engineers. This was part of their responsibility under the agreement to find the route and go ahead and do the necessary engineering work for the location of

A (continued) the railway.

Q That was done by CN?

A Yes.

Q So specifically does the fact that the railway goes to the mine doorstep, a matter of design or plan?

A Yes, that was of course one of the purposes of building the railway was to take the coal out of the Smoky River deposits so it was necessary to bring the railway in to those deposits.

Q In general terms, sir, but specifically, you have been to the Smoky River valley?

A Oh, yes, many times.

Q And the railway loops way up the valley and comes back down in front of the mine; is that because of the presence of the mine or the grade?

A Well, it is because of the presence of the mine and the nature of the terrain in the area because in order to get the railway into the mine location it has to follow the Smoky River valley a long way in one direction, cross the river and then come back in the other direction. That is the only way it can be done so we were assured by the engineers.

Q And, sir, I take if from your evidence to Mr. Stevenson the negotiations on the matter of rate were entirely between the Corporation and the CN on the one hand and CN and McIntyre on the other?

A Yes, and there is of course a reason for that which I might include in answering your question. And it was that as far as the Government was concerned, the Provincial Government, our

A (continued) involvement was that of financing the initial cost of construction of the railway. We were not involved in building and operating a railway, we were involved in financing the construction of the railway and so therefore it was only rather natural that whatever business was done along this line, which would be leased by Canadian National, would be negotiated and carried out by Canadian National and its customers.

Q Thank you, Mr. Aalborg.

MR. CRUMP: Mr. Patching, do you have any questions of the witness:

MR. PATCHING: No.

MR. CRUMP: Mr. Graham?

MR. GRAHAM: No.

MR. CRUMP: I have only one comment, Mr. Aalborg, at the time the 60 cent rate was being discussed I take it there was a good deal of optimism as to the output of the mine, I think we have in evidence, I can't put my finger on it at the moment, that it could possibly reach 3 to 5 million tons a year?

A Yes, that was the expectation then, Mr. Chairman, yes.

MR. CRUMP: Mr. Stevenson, have you any remaining questions?

MR. STEVENSON: No, sir.

MR. CRUMP: Well I think that is all, Mr. Aalborg, thanks very much for coming, you may stand down.

MR. STEVENSON: Mr. Chairman, I wonder if I might ask you to adjourn now instead of later. Mr. Patrick hasn't

MR. STEVENSON: (continued) arrived yet and he is the next witness.

MR. CRUMP: Yes. Very well, the Hearing will adjourn for a short recess.

(At 10:33 the Hearing stood adjourned.)

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MR. STEVENSON: Mr. Patrick, please.

MR. R. PATRICK, SWORN, EXAMINED BY MR. STEVENSON:

MR. STEVENSON: Mr. Patrick, I wonder if we could ask you to stand. We've been having some difficulty with the acoustics if we don't have the witnesses stand.

A Oh, fine.

Q MR. STEVENSON: Mr. Patrick, I understand that you were a member of the Executive Council of the Government of Alberta until September of 1971?

A That is correct.

Q And when you retired in September of 1971 you held the position of Minister of Mines and Minerals, is that correct?

A That's correct.

Q And how long did you have that position?

A Approximately nine years.

Q And up until 1968, you in fact held another portfolio, is that correct?

A Yes, I was, I had a dual portfolio. I was with Mines and Minerals and Industry and Development. I gave up the Provincial Secretary to take on Mines and Minerals in 1962.

Q So from 1962 until your retirement from the Government, you had been Minister of Mines and Minerals?

A Yes.

Q And Minister of Industry and Commerce from when to when --

A Industry and Development from when it was created in, from

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A (Continued) 1959, I believe, until 1968.

Q Now, you will recall the occasion of the announcement of the time at which the Alberta Resources Railway Incorporation was announced in February of 1965?

A Yes.

Q Now, prior to the announcement of that railway, were you familiar with proposals for the development of the coal resources in the Smoky River area?

A Yes.

Q The area that has now been developed by McIntyre Porcupine?

A Yes.

Q Now, prior to the announcement of the Alberta Resources Railway, had you, yourself, had direct contact with any officers or employees of McIntyre Porcupine?

A Yes.

Q And who, in particular, Mr. Patrick, do you remember?

A Mr. Cooper, Mr. Marsh Cooper, Mr. Ken Goddin, I believe, those are the two I remember.

Q Now, prior to the announcement of the railway, what knowledge did you have of the plans for their development?

A Most of my knowledge came directly from the Vice-President Western of CNR, Mr. Roger Graham. He explained to the Government that McIntyre anticipated being able to get an initial contract for three million tons of coal per year, which they felt they could mine, and in turn there was a, I believe $1.40 a ton was, returned from that was to go to

A (Continued) paying off the cost of the railroad.

Q Now, do you recall any length of term of development being discussed prior to the announcement of the railway, what kind of contract terms they were talking about?

A For the sale of the coal?

Q Yes.

A Yes, 15 year contracts.

Q Now, had you had discussions with McIntyre Porcupine where the extent of their proposals or plans came up?

A Yes.

Q Do you recall discussing technology with them, in particular, Mr. Patrick?

A Yes, I do. Some time after we had, as a Government, been in conversation with the CNR about the proposed construction of the railroad, one of whose functions would be to open up the coal, my Deputy Minister mentioned to me, Mr. Sommerville, mentioned to me one day that, in conversation with an engineer from the Crowsnest Pass, if I can remember his name, Mr. Wilton-Clarke, I believe, a double name Wilton-Clarke, had grave doubts that the coal could be mined satisfactorily, and so when, I believe I had my first visit with the officials of McIntyre Porcupine, I raised this point and they pointed out to me that they were particularly concerned with new concepts in mining as compared with what this man had been discussing, and they were particularly interested in what technical training we had, the facilities we had in Northern

A (Continued) Alberta. I was very happy to be able to call down the Minister of Education to explain our new Northern Alberta Technical School, NAIT, and I remember we ended up by him accompanying the officials of McIntyre to see this new school, because they had explained that in the new concept of mining on a large scale and that type of difficult mining, they would need men, miners, not the old type miners but miners who had basic training in electronics, and they would, in turn, specifically train them at the site, at the mine site, for their particular jobs.

The other thing that I recall was that they pointed out something that I wasn't aware of, that they would be operating several, that's several mines at one time, and this would have been, I'm trying to think of the term, in television --

Q Close circuit.

A -- close circuit television, and this would all be coordinated and it was a very complicated thing. I just remember them giving me quite a description of what they proposed to do.

Q And did the Minister of Education actually accompany you to the Technology Institute?

A Yes, as I recall, Mr. McKinnon was the Minister and I recall that he went with them to see the facilities there. They were extremely interested and I remember particularly because

A (Continued) later, when they were making their decision to proceed, and this all is before there was any announcement of the Government to build a railroad, they said that one of the chief factors in deciding to proceed was these excellent facilities we had for training miners because they would have to, this would be a big factor in them being able to proceed was to be able to get the miners.

Q Now, when the railway was announced, there was no contract with the Japanese at the time of the announcement of the railway?

A That's right.

Q And at the time that the railway was announced, what was your information as to McIntyre's intentions with respect to their contract negotiations with the Japanese?

A As I recall it, Mr. Graham had approached the Government to indicate that they had not been successful in getting assurance of as large a contract as they had expected and which he had used in conversation with us, namely, three million tons per year, but that he felt they could get two million tons. This was on the provision that they could get the price down to meet the competition and that is where we had to reconsider our $1.40 a ton return for the expenditure on the railroad and to reduce that to 50 cents.

Q Before the railway was announced did you have knowledge of the tonnages and the length and term of contract that was being discussed?

A Yes, and as I recall, it was three million tons per year and these would be 15 year contracts.

Q Did the Government at the time that it announced the railway, have any plans or intention or desire of subsidizing the cost of transport?

A No, no.

Q In fact, had you reason to make an announcement or to make a comment that the Government's decision was to the contrary?

A Yes, pretty definitely. If I might go back a little bit --

Q Yes.

A -- to explain why I feel that there was very definitely no commitment in this regard. Some years prior to that, when I was Minister of Economic Affairs, and I believe it was 1956, we saw the first Japanese Mission to Alberta and it was actually a pipe selling mission that came to speak to gas producers at their National Conference in Jasper. I managed to have them take a look at our coal facilities in, our coal potential at Canmore and at, in the Crowsnest Pass, which were accessible at that time and which were pretty inactive, and this ended up in them returning to Japan and we got an invitation to send sample car loads of coal from those two areas.

We had two problems: one was there was no loading facilities in the west, on the West Coast, and so we proposed to load the coal at Seattle, but before the

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A (Continued) coal got there the Seattle facilities had burned down and that coal had to be shipped down the Columbia River to, I believe, Astoria was where it was sent, or somewhere in Oregon on the Columbia River, and this was followed by orders of coal from Japan, from those two areas, and over a few years that built up to about a million tons a year, approximately, and about half of that from the British Columbia side and half from the Alberta side, made up of Alberta Crowsnest Pass and Canmore, the rest from the B.C. side. Just about the time it reached that peak, the Federal -- oh, I must go back. The other problem, of course, was that there had never been a subvention established to the West Coast, and in a meeting I had with Mr. Bull, who was the Deputy Minister to the late Mr. C. D. Howe, we were, had met in Chicago right at the time on a tourist and industry promotion at Chicagoland. He promised to go back to Ottawa and get the west subvention established the same as it was established in the other parts --

I remember this particularly, because it was Mr. Bull's last assignment. He was about to leave to Japan to be the Ambassador, I believe. Well, anyway, the subvention set up was $4.50 a ton, I believe, and so then when this coal business with Japan built up to about a million tons from Canada, the Federal Government reduced that subvention to something like $2.63 a ton, as I recall it,

A (Continued) and shortly after that, Mr. Whittaker, of the Canadian Coal Board and his committee came to see Mr. Manning and myself, and I believe this was right after I had taken over the Ministry from Mr. Manning in 1962, and that's why it would be the two of us, to see if there was any chance that the Province would pick up that difference between the reduced amount $2.63, I think, to $4.50. And I recall Mr. Manning saying that he couldn't see justification for a Province subsidizing the use of a natural resource, whereas the Federal Government had had this policy for a number of reasons for many years. And so that is why I'm quite sure that we've never intended to subsidize in any way.

Now, later, if I could just go on with that one step further, later I was invited to meet with Mr., with the Honourable Mr. Mitchell Sharpe and Dr. Ian McKinnon, in Calgary, when they were there, where Mr. Sharpe was speaking at a meeting, and he was then the Federal Minister of Industry, Trade and Commerce, and they wanted to have some words with me, and when I talked with them, what they wanted to find out was what reaction they could expect from Alberta if they did away with the subvention altogether, and I was pretty unhappy about this at the time on the basis that so long as they had subventions in other parts of Canada, they should have them here.

Well, the upshot of that was that it was postponed. But not too long after, there was an

A (Continued) announcement that all subventions would end in 1972. I mention that because we realized that when those subventions ended, if we were going to remain competitive in selling our coal from Alberta, we would have to look at much bigger operations than we had ever seen in Alberta before.

Q And were you aware, I take it then that you were aware of the prospect of the subvention coming to an end at some point during the discussions with the CN and McIntyre Porcupine?

A Yes, I believe entirely through that. It just about came at that time.

Q Now, you were involved also in the negotiation of agreement between the Canadian National Railways and the Alberta Resources Railways, is that correct, or of a development of discussions?

A Yes.

Q And the contract between the CNR and the Alberta Resources Railway provided $1.40 per ton rental on the coal movement, is that correct?

A Yes, yes.

Q And were you --

A That was to retire the costs of the railroad.

Q Now, do you know how the $1.40 figure was calculated or arrived at?

A No, I don't, other than to have had the understanding that we could expect the railroad to be owned by the CNR within some twenty years, twenty years is what I remember, or less.

Q Now, do you also recall a discussion about reducing the rental to the Alberta Resources Railway to 50 cents per ton?

A Yes.

Q And how did that come about, Mr. Patrick?

A That came about as a result of the CNR pointing out that McIntyre Porcupine could anticipate a contract for two million tons per year, if they could get the price down to a certain figure, and to get it down to that figure it would be necessary to reduce that after the railroad had gone as far as it can go with reduction in prices.

Q And was that discussion with Mr. Graham?

A Yes.

Q Now, what was the extent of that reduction to be, for how long a period of time and what tonnage and what arrangement, do you recall?

A I am not absolutely sure about that. I think that was to be on that first two million tons and apply to that, but that we could anticipate at least two more contracts for five million tons each, which of course would go up to return to the other price.

Q Now, when you had discussions with McIntyre Porcupine or anyone at McIntyre Porcupine before the railway was announced, was there any indication of tonnages given to you by them that you can recall or projected tonnages?

A You are talking about before the announcement?

Q Yes?

A I couldn't be specific about that.

Q Was there a discussion at some point of amounts in excess of two to three million tons a year?

A Oh yes, yes.

Q But you can't say when those came along?

A No, no, but I do know that there were figures talked about eventually 12 or 13 million tons per year.

Q When you had this discussion that you told us about where Mr. McKinnon, Minister of Education was called in, was there a discussion at that time of probable quantities or approximate quantities under any contract?

A No, I don't think so.

Q You don't know --

A I don't recall any.

Q You don't know what kind of contracts you were talking about at that time?

A No.

Q Was there ever any question after this first meeting of the company's technical ability to produce coal in the order of two to three million tons per year?

A I don't recall any but I do know that other companies were facing difficulties when they were in operation but -- are you talking about before, before they actually went into operation?

Q Yes, before they actually went into operation?

A The only thing that I recall was that they were very interested in a strip mining operation, which would balance out their costs.

Q When did that come out?

A I can't recall.

Q Was there any discussion of anything other than underground mining before the railway was announced?

A I am not sure about that.

Q Was there an indication given to you of the, at any time, of the number of employees or the anticipated employment that would be given by the company?

A Well not to me. That information would have gone to the Department of Municipal Affairs whose administrators would plan a town to fit the number of employees, but that wouldn't have come to me directly because that was all handled by the Department of Municipal Affairs.

Q Were you a member of the cabinet committee on new towns during the period 1965 to 1968 or '69?

A Yes, I was.

Q And did the detail planning, the expenditure of money on planning of the town go ahead until, go ahead before the contract had been signed?

A You mean the contract for the coal?

Q Yes, I am sorry, the contract with the Japanese?

A Again I can't be sure about that.

Q Were you kept informed of the progress of negotiations with the Japanese buyers?

A Yes, I was.

Q In fact you were present at the signing of the contract between McIntyre Porcupine and the Japanese buyers, weren't you?

A That's right.

Q Now, in the company's brief to this Commission, Mr. Patrick, there is a statement to the effect that, and, and I will just summarize it, that the Government realized or should have realized the risk that was taken in establishing the town, were you aware at any time up to the time the town was proceeded with and actual construction, was this brought to your attention there was any significant risk or did you anticipate any risk?

A Risk in what nature?

Q In the operation not being able to carry on as it had been planned?

A No, very definitely not.

Q And is the same true with respect to the coal operations on the railway?

A That's right.

Q There was no communication to you of any problem or concern on the part of the company?

A No.

Q Were you ever approached or asked to reduce or weigh the provincial coal royalty on coal being provided to Alberta Power Limited?

A No, I don't recall -- no, I am quite sure of that.

Q Did you know that there was coal being sold or planned to be sold to a power plant facility at the site?

A Yes, in fact I was a bit involved in that because as Minister of Industry and Development we had, the power commission came under my purview, and we had certain areas for the different utility companies, and we were very anxious to see this take place, but I don't recall anything about royalties.

Q Why was there an anxiety to see the power plant go ahead?

A Primarily because by this time the whole world had become very environment conscious, and there was going to be a lot of waste coal there and we were being criticized in every angle, and this would be certainly one place we would be vulnerable if we didn't use the coal.

Q Mr. Patrick, are you aware of any commitment or assurance by the Government of Alberta to the company other than such as may have been mentioned in which you discussed so far? Was there any commitment by the Government with respect to the development that we haven't mentioned or discussed already to the company?

A No, I don't recall any.

Q Was there any commitment or representation made to the public at large by the Government that indicated what its plans were other than the setting up of the new town and the announcement of the railway?

A No.

Q Do you recall any promise with respect to the location of a highway through Grande Cache?

A In that respect that area was served only at that time by a, I am trying to think of the roads.

Q Forestry road?

A Forestry road, yes, and even with the construction of the railway it was evident that road would have to be upgraded in places in order to put the crews in along the line, but what I do recall was that the Department of Highways facing at the time along highway into Fort McMurray, along highway from High Level into Rainbow, we are talking about hundreds of miles of railway, said that it would have to be done, not as one big contract, but where it was needed first, in any event they intended to build it up to their highway standards that would be required, that they would do it in sections rather than undertake to say they are going to build a road right up there.

Q Do you recall any assurance being given that the highway between Grande Prairie and Hinton would actually go through Grande Cache, do you recall any discussion of that nature?

A No, I don't. The only discussion with Grande Prairie that I recall was at the other end, at the Grande Prairie end,

A (Continued) that it would come into Grande Prairie rather than follow the present forestry road, it takes an easier route.

Q Was there any consideration given by the Government as far as you are aware to the establishment of the town being, the establishment of the town being based on any other industry or trade other than the coal industry?

A Well, only the power is the only other one. There was another resource in that general area of gypsum, but I don't think it was ever a factor in planning the town, the size of the town. There was gypsum on the B.C. Alberta border that had a potential of from a branch line.

Q After the railway was announced did you continue to have contact directly with employees or officers of McIntyre Porcupine?

A Yes, not a great deal but I did have a steady contact with them, and I was there when the first coal went out. I was there, of course, for the formal openings and so on, but I was there when the first train load of coal moved out, just as I was at Kaiser when the first train load moved out. I saw both of those.

Q And do you recall who the persons were you had contact with after the railway was announced?

A Oh, primarily Mr. Godin and Mr. Cooper. There were others but I can't recall them at the moment.

Q Did you have any contact with Mr. Price?

A Yes, oh yes, Mr. Price and Mr. Kilbourne, who were the negotiators for contracts and I did have contact with them.

Q When was the first time that you recall hearing of strip mining in the sense that it was related to a particular contract, can you tell me when that was?

A The only thing that I can recall was that when the negotiations for a contract became prolonged we undertook to freeze unleased coal properties in the area to stop promoters from detracting from this original plan, and McIntyre at the time indicated they were anxious, as were Alberta Coal and others to get those, some of those leases made available, put up for sale, and I recall talking with McIntyre that they were anxious to get some of those for strip mining because they needed that to level out their prices. It was very important that they have strip mining, but I can't just fit that in in time.

Q Can you fit it in in relation to the announcement of the railway?

A Yes, it would be after the announcement of the railway.

Q Did the province express any concern to McIntyre about the use of underground miners as distinct from surface miners or the level of employment that the province expected?

A I am sorry I don't quite understand your question.

Q Did the province have any concern that there would be underground miners employed as regular employees in the operations to be conducted by McIntyre Porcupine?

A What kind of concern?

Q Concern that this would be the way the operation was conducted? Concern for this type of employee?

A Well, as I said at the outset we were very intrigued with this idea of technically trained miners in its new concept which

A (Continued) indicated that we were going to have a very fine employment for a lot of Alberta people in the underground mining, and we, I would have to say that we always considered the underground mining as the principal part of the operation. That the strip mining would only be secondary.

Q Why was the Government concerned that the underground mining be primary and the strip mining secondary?

A I don't think we were concerned about it. We had taken for granted that this was the pattern of the operation and, of course, as I say at the time we weren't nearly as -- we didn't pay near as much attention to it as we did later because this was right at the time when environment became an issue in the country, and it came right in that time. So I don't think we paid too much attention until this reared its head.

Q At the time that the railway was announced, Mr. Patrick, did you consider that the signing of a contract was something imminent or immediate, the contract for the sale of coal?

A I recall Mr. Manning saying which comes first the chicken or the egg, and that was about the attitude that we couldn't look for a contract until there was some means of getting the coal out, and we sort of took for granted, and I think we were pretty well assured by CNR that this would -- we could expect this. One of the reasons we were assured was that I had seen the analysis of that coal, and I was very much convinced that it was a very high quality coal and would be very marketable.

Q Did the Government undertake any independent studies of its own into the prospects of mining this coal economically or

Q (Continued) in the quantities that had been discussed at any time?

A Well, not as a specific study, but we had a very competent department that we relied on, and I felt that they -- their advice was always timely.

Q You don't recall any technical study?

A Oh no, no, we hadn't done a technical study. It was only within the department itself that we relied upon our, for our information.

Q Did the Government exert any pressure or influence to have the contract signed? Did the Government express any anxiety to have the contract signed, Mr. Patrick?

A Well, I don't think we expressed the anxiety so much as we took for granted that this would happen and that there would be coal ready to move when the railroad had reached that point, and I think in proof of that we certainly, when we froze the leases we indicated we were very anxious that this wouldn't be prolonged or that, until after the railroad was in operation.

Q When the railway was announced did you anticipate that coal would be ready for movement?

A Oh yes, yes, very definitely.

MR. STEVENSON: Those are all the questions I have.

MR. CRUMP: Mr. Sabey, have you any questions?

MR. SABEY: No thank you, Mr. Chairman.

MR. CRUMP: Mr. Patching?

MR. PATCHING EXAMINES THE WITNESS:

Q Just a couple, there were reports that the Government provided extra coal leases for McIntyre in order to assure sufficient tonnages to satisfy the Japanese when they were negotiating for a contract, is that correct?

A No, I don't believe it is. We, I left the actual negotiations of these things to my deputy, Mr. Sommerville, but I was assured by him that all we were doing at the time was squaring out the lease. Some was given up and some was added to square out the lease, to make it a viable lease.

Q Now when you refer to extra leases to get coal for strip mining so they could level out the contract --

A They bid for those.

Q Did this imply that the company felt they needed strip mining in order to have a profitable operation, that their underground work might not be profitable?

A I think as time went along that was the conclusion with prices going up and so on at the time, I think as they went on developing their underground mining I think, and gained experience and put up with the rising and inflationary prices, I think they realized that they needed some strip mining to hope to meet the contracts they had made.

Q Well, at the time they were applying then for these extra leases do you think they were realizing that their underground operations might not be profitable?

A Certainly I think they were -- they realized that they were at least getting very marginal, and perhaps not profitable.

MR. PATCHING: That is all, thank you.

MR. CRUMP: Mr. Graham, have you any questions?

MR. GRAHAM: No, I have no questions.

MR. CRUMP: I have none. Mr. Stevenson, have you anything further of the witness?

MR. STEVENSON: No further questions.

MR. CRUMP: Thank you very much for coming, Mr. Patrick.

A Thank you.

MR. CRUMP: We appreciate you being here. Stand down.

MR. STEVENSON: Thank you, Mr. Patrick.

(Witness retires)

MR. STEVENSON: Mr. Patrick was the last witness that was called this morning.

MR. CRUMP: In that case the hearing is adjourned until 9:30 tomorrow morning.

(The hearing was adjourned.)